

May 31, 2018

The Honorable Joe Donnelly US Senate 720 Hart Senate Office Building Washington, DC 20510

Dear Senator Donnelly,

On behalf of the 2 million members CareSource serves, including 180,000 Hoosiers, and with a workforce of 4,000 employees, CareSource thanks you for your letter. We appreciate your engagement and efforts to better understand and address the uncertainty under which Marketplace issuers continue to operate.

With nearly 30 years of experience as a nonprofit health plan, CareSource understands the comfort that health insurance coverage brings to individuals and families—we therefore inherently embraced the federal Marketplace to expand coverage to those in need. We currently serve Marketplace members in Indiana, Ohio, Kentucky, and West Virginia and have purposefully developed products for those with incomes less than \$24,600 (400 percent of the federal poverty level). We did so because we know from our experience that most Medicaid members will not need Medicaid coverage long term, but will need other reliable coverage as their life circumstances evolve. The *Affordable Care Act's* (ACA) Marketplace premium and cost-sharing subsidies and limitations on out-of-pocket expenses improve affordability for lower-income individuals and families, which helps them as they transition out of the Medicaid program. Successfully transitioning low-income individuals and families from Medicaid to an increased degree of self-sufficiency is one of CareSource's primary objectives and also a goal we all should share.

Now, nearly one year since we last wrote to you, the ACA continues to face material challenges that need to be addressed. Yet while attempts at reform by Congress and the administration over the last year and half have renewed a national dialogue on the value and role of health insurance coverage, they also have continued to miss critical opportunities to stabilize the individual market which will ensure access to affordable coverage.

We share your concern about the very real and likely disruptions the Indiana Marketplace (and those nationwide) will face as a result of the uncertainty experienced to date. As we noted last year, the instability in the Marketplace could have a downstream impact on Indiana's alternative to Medicaid expansion, the Healthy Indiana Plan (HIP), as consumers enrolled in plans exiting the Marketplace are more likely to become eligible for HIP in the future. Managed care entities that offer HIP plans will need to prepare for higher member volume and an increased demand

for enrollment assistance. Additionally, the consumer confusion created as a result of decreased Marketplace Qualified Health Plan availability is expected to be material.

Congress (both Republicans and Democrats) must turn their focus back to the 30 million Americans who gained coverage through the Affordable Care Act. Renewed efforts must be taken to increase affordability, promote further coverage gains, increase insurer participation, and deliver expanded access to life-changing services and supports.

Below you will find our responses to your questions on how this uncertainty impacts our 2019 rate-setting process for our Indiana Marketplace health plans.

1. What are the factors that could contribute to your decision on whether or not to participate in the ACA marketplace and what factors have you examined to set your rates?

<u>Response:</u> The most critical action to ensure our continued participation in the Marketplace is to provide for both short and long-term stabilization to the individual market. Repeated attempts by the administration to repeal the ACA have not fostered confidence in carriers to pledge a long-term commitment offering plans on the ACA Marketplace. Efforts to provide the needed stabilization may include:

- Long-term commitment to funding cost sharing reductions (CSR). This would lower premiums for those who purchase their coverage on the exchanges as well as decrease federal spending due to a reduction in the premium tax credit amounts. CSRs provide assistance to Marketplace members to reduce deductibles, co-payments, and/or out-of-pocket limits through CSR payments. This funding helps those who need it the most to access quality care: low- and modest-income consumers earning less than 250 percent of the federal poverty level.
- Expansion and redesign of both CSR and advance premium tax credit subsidies to ensure adequate health care coverage is affordable to vulnerable populations.
- Elimination of the expansion of short-term limited duration (STLD) and association plans to balance and stabilize the risk pool on the ACA Marketplace.
- Creation and federal funding of a high-risk reinsurance pool.
- Increased flexibility of benefits offered to drive affordability and attract younger / heathier populations.

In our initial rate development for 2019, we have considered the impact of changes to the individual mandate (*Tax Cuts and Jobs Act*), STLD plans, association health plans, provider rates and changes in the risk pool of the remaining ACA membership (i.e., alternatives to ACA coverage and repeal of the individual mandate may lead healthier consumers who can't afford the ACA premiums to drop out of the market, which results in a sicker pool remaining in the market).

## 2. How will the health care provisions included in the Tax Cuts and Jobs Act impact rates and market stability in Indiana?

<u>Response:</u> The elimination of the individual mandate by the *Tax Cuts and Jobs Act* will likely increase the risk profile of Marketplace members. Younger and healthier consumers who are no longer subject to the individual mandate penalties may forego ACA qualified coverage. The remaining consumers on the ACA Marketplace will be a more acute population, which will drive premiums upwards for all ACA plans.

## 3. What impact would the proposed rule on short-term, limited duration insurance have on rates and market stability in Indiana?

<u>Response:</u> STLD plans provide coverage that will be far less comprehensive and actually drive up healthcare costs for consumers with preexisting conditions and serious medical conditions, which may not be covered under such plans. Many consumers are also unaware of the coverage short-falls with STLD plans, which are not subject to the same regulations as ACA plans to provide needed essential health benefits such as drug coverage and maternity care. Consumers with pre-existing conditions may not quality for STLD coverage due to the underwriting process, which allows the STLD to push the higher-risk/acute population into ACA plans which further drives additional premium increases. All of these concerns lead to consumer confusion about the differences between these various "health coverage options."

STLD plans will also drive younger and healthier consumers away from the ACA Marketplace plans which will result in degradation of the ACA member risk profile and will result in corresponding premium increases.

## 4. What has been the cumulative effect of repeated efforts to undermine Affordable Care Act through congressional and administrative actions?

<u>Response:</u> Various administrative actions have culminated in fewer individuals being eligible for CSRs (CSRs can only be used on Silver plans). In 2017 approximately 60% of consumers nationwide and 47% of Hoosiers received CSRs. In 2018, the number of consumers receiving CSRs dropped to 53% nationwide and 42% of Hoosiers.

Additionally, efforts to undermine the ACA have directly driven annual premium increases that have priced the desired healthcare coverage out of reach for many consumers. The lack of affordable healthcare coverage forces consumers to select suboptimal coverage for their healthcare needs. The cumulative premium increases have forced a shift in ACA marketplace enrollment to plans with lower benefits (Silver and Bronze plans) from higher benefit plans (Gold and Platinum plans). This shift has often resulted in burdening consumers with larger out-of-pocket expenditures for their healthcare coverage.

Furthermore, the current environment is not conducive for new issuers to join the Marketplace overall. The expansion that is seen currently is not from new entrants into

ACA Marketplace, but by existing ACA Marketplace issuers. Not only is there a significant risk to enter the market, but also a more complex regulatory environment within the program that requires issuers to have a certain level of expertise at the start (e.g. risk adjustment).

## 5. Does the Administration have any additional tools at its disposal to stabilize the markets?

<u>Response:</u> Funding for CSRs, risk stabilization programs (e.g., ensuring Risk Corridor and Reinsurance payments and continued refinement of the Risk Adjustment program) and enforcement of the individual mandate are important for stability in the Marketplace.

In addition, the administration could:

- Issue another Marketplace Stability Rule (2017) that further tightens special enrollment period eligibility to prevent gaming and that eliminates grandmothered and grandfathered plans (non-ACA compliant plans) to improve the risk pool.
- Reinstate funding and resources to ensure robust, sustained enrollment outreach directly to consumers for the 2019 open enrollment period.
- Additionally, efforts should be made to dramatically increase young and healthy
  enrollment, such as partnering with colleges and universities to encourage
  Marketplace enrollment in place of student health plans. CareSource estimates a
  10% reduction in premiums (for all Marketplace consumers) if all eligible young and
  healthy enrollees entered the Marketplace in 2019. In addition, students could see
  reductions in premiums between 20-30% by forgoing student health plan coverage
  for comparable Marketplace coverage.

We are committed to the belief that every American deserves affordable health coverage and high-quality care. Without sufficient federal efforts to stabilize the Marketplace, the working poor run the risk of losing that access and our system will go back to being plagued by over-run emergency rooms, uncompensated provider care, and displaced costs onto employers and the commercially insured.

The window is quickly closing to properly price individual insurance products for 2019. CareSource continues to stand ready to work with all members of Congress and the administration to meet our commitment to deliver affordable, high quality insurance coverage to those who most need these programs.

Respectfully,

Steve Smitherman President Indiana Market